

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Howell</u>	County Livingston
Audit Date June 30, 2004	Opinion Date September 7, 2004	Date Accountant Report Submitted To State: December 3, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 1111 Michigan Avenue		City East Lansing	State Michigan
Accountant Signature 		ZIP 48823	
		Date December 3, 2004	



# **City of Howell, Michigan**

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## **Financial Report With Supplemental Information June 30, 2004**

# **City of Howell, Michigan**

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## **Financial Report With Supplemental Information June 30, 2004**

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## Independent Auditor's Report

To the City Council  
City of Howell, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Howell, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Howell's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Howell as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the major funds' budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Howell, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Howell's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 7, 2004

The following discussion and analysis of the City of Howell's annual financial report presents our view of the City's financial performance during the fiscal year that ended June 30, 2004. Please read it in conjunction with the City's financial statements, which follow beginning on page 13.

### Financial Highlights

- The City's total net assets increased as a result of the fiscal year's operations. The net assets of our business-type activities increased by \$.7 million, or 2.6 percent, and net assets of our governmental activities increased by \$1.3 million, or 7.3 percent.
- During the year, the City had revenues that were \$2.1 million more than the \$11.8 million in expenses.
- In the City's business-type activities, revenues were \$4.2 million while expenses were \$3.4 million.
- Total costs of all the City's programs were \$11.8 million.
- The General Fund reported an overage this year of \$597 thousand.
- The resources available for appropriation were \$3 thousand less than budgeted in the General Fund. Expenditures were \$466 thousand less than budgeted.

### Overview of the Financial Statements

This annual report consists of the following report sections: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements are presented in two different formats: government-wide financial statements and fund financial statements.

- The government-wide financial statements include the Statement of Net Assets and Statement of Activities. These statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements include the Balance Sheet and Statement of Revenue, Expenditures, and Changes in Net Assets/Fund Balances. These statements focus on individual parts of the City government and report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.



### Overview of the Financial Statements (Continued)

- The governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
- The proprietary fund statements present short- and long-term financial information about those activities that the City operates in a business-like manner, such as the water and sewer system.
- The fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information presented in the financial statements. In addition to these required supplementary schedules, we have provided a section with combining statements that provide details about our non-major governmental and internal service funds.

### Government-Wide Statements

The City's government-wide statements begin on page 13 of this report. These statements report information about the City as a whole under the accrual method of accounting, which is similar to the accounting used by most private-sector companies. The statement of net assets includes all, both current and long-term, of the government's assets and liabilities and the statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The combined objective of the government-wide statements is to report the City's net assets and how they have changed. The reporting of net assets is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets can be viewed as indicators of whether its financial health is improving or deteriorating, respectively.
- In addition to the financial factors, you will need to consider additional information such as changes in the City's property tax base and the condition of the City's roads to assess the overall health.

### Government-Wide Statements (Continued)

The City's government-wide financial statements divide the reported information into three categories:

- Governmental activities - Most of the City's basic services are included here, such as police, public works, recreation, and general information. Property taxes and state and federal grants are used to finance most of these activities.
- Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system are included in this category.
- Component units - The City includes other legal entities in its report such as the Downtown Development Authority, TIFA, and Brownfield Redevelopment. The City is financially accountable for these "component units" although they are legally separate entities.

### Fund Financial Statements

The City's fund financial statements begin on page 16 of this report. These statements provide more detailed information about the City's most significant funds. The City uses funds to account for specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants and others are established by City Council to control and manage money for particular purposes (example) or to show that it is properly using certain taxes and grants (example).

The City has three kinds of funds that use different accounting approaches:

- Governmental funds - Most of the City's basic services are included in governmental funds. These funds focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because governmental fund information has a short-term focus and the government-wide statement incorporates long-term information, we describe the relationship (or differences) between government activities and governmental funds in a reconciliation at the bottom of the fund financial statements.

### Fund Financial Statements (Continued)

- Proprietary funds - When the City charges customers fees for the services it provides, the fees are generally reported in proprietary funds. Similar to the reporting method used on the government-wide statements, proprietary funds provide both long- and short-term financial information.
  - In fact, the City's enterprise funds (water and sewer) are the same as its business-type activities, but provide more detail and additional information.
  - We use internal service funds (the other type of proprietary fund) to report activities that provide services and supplies for the City's other programs and activities. The City currently uses two internal service funds, Department of Public Service and Equipment Pool.
- Fiduciary funds - The City is the trustee, or fiduciary, for its retired employee health insurance plan. It is also responsible for other assets that, because of a trust arrangement, can be used for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. A separate statement of fiduciary net assets and a statement of changes in fiduciary net assets are presented on pages 24 and 25 of this report. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

# City of Howell

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the City as a Whole

The City's combined net assets were increased from a year ago from \$43.4 million to \$46.6 million. The following table illustrates the varying results of the governmental activities and business-type activities which combine to capture the City's total net assets.

Table I

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
	2004	2003	2004	2003	2004	2003
Current assets	\$ 8,749,124	\$ 8,795,760	\$ 4,398,526	\$ 3,577,169	\$ 13,147,650	\$ 12,372,929
Noncurrent assets	<u>14,285,061</u>	<u>13,615,408</u>	<u>26,301,409</u>	<u>26,723,210</u>	<u>40,586,470</u>	<u>40,338,618</u>
Total assets	23,034,185	22,411,168	30,699,935	30,300,379	53,734,120	52,711,547
Long-term liabilities	2,505,000	2,840,000	1,671,117	1,873,419	4,176,117	4,713,419
Current liabilities	<u>717,320</u>	<u>1,101,122</u>	<u>178,476</u>	<u>309,301</u>	<u>895,796</u>	<u>1,410,423</u>
Total liabilities	3,222,320	3,941,122	1,849,593	2,182,720	5,071,913	6,123,842
Net assets:						
Invested in capital assets -						
Net of related debt	11,322,108	10,724,574	24,630,292	24,849,791	35,952,400	35,574,365
Restricted	2,795,449	3,259,745	2,141,129	1,496,644	4,936,578	4,756,389
Unrestricted	<u>5,694,308</u>	<u>4,485,727</u>	<u>2,078,921</u>	<u>1,771,224</u>	<u>7,773,229</u>	<u>6,256,951</u>
Total net assets	<u>\$ 19,811,865</u>	<u>\$ 18,470,046</u>	<u>\$ 28,850,342</u>	<u>\$ 28,117,659</u>	<u>\$ 48,662,207</u>	<u>\$ 46,587,705</u>

Net assets of the City's governmental activities increased by 7.3 percent to \$19.8 million. Investments in capital assets increased by 5.6 percent to \$11.3 million. This increase is due mainly to the reconstruction of City roads, preliminary work on the new cemetery, and the renovation of the City Hall.

Unrestricted net assets, or the portion of net assets used to finance day-to-day operations, without constraints established by debt covenants, enabling legislation, or other legal requirements increased by 26.9 percent or 1.2 million. The primary reasons for the increase in unrestricted net assets are the lower transfers to the street project funds, recognition of income from joint venture, continued growth/addition in property values within the City, and continued diligence in the area of expenditure control. Restricted net assets declined by 14.2 percent to \$2.8 million mainly due to the funding of the new cemetery.

# City of Howell

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the City as a Whole (Continued)

The net assets of our business-type activities increased by 2.6 percent or to \$28.9 million during the fiscal year. This increase is due to revenues exceeding expenses and continued investment in infrastructure (water and sewer mains) without additional debt being incurred.

The following table displays the City's changes in net assets.

Table 2

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
	2004	2003	2004	2003	2004	2003
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,172,933	\$ 1,190,516	\$ 3,072,564	\$ 3,082,743	\$ 4,245,497	\$ 4,273,259
Operating grants and contributions	880,908	782,401	-	-	880,908	782,401
Capital grants and contributions	743,728	1,406,838	1,103,703	1,769,500	1,847,431	3,176,338
General revenue:						
Property taxes	5,275,208	4,992,192	-	-	5,275,208	4,992,192
State-shared revenue	892,382	963,171	-	-	892,382	963,171
Other	624,270	198,714	10,612	5,718	634,882	204,432
Investment earnings	89,134	180,962	40,109	62,569	129,243	243,531
Total revenue	9,678,563	9,714,794	4,226,988	4,920,530	13,905,551	14,635,324
<b>Program Expenses</b>						
General government	1,283,291	1,826,039	-	-	1,283,291	1,826,039
Public safety	2,628,068	2,645,250	-	-	2,628,068	2,645,250
Public works	2,805,356	2,151,026	-	-	2,805,356	2,151,026
Community and economic development	388,261	93,122	-	-	388,261	93,122
Recreation and culture	1,147,987	1,131,035	-	-	1,147,987	1,131,035
Interest on long-term debt	145,376	185,272	-	-	145,376	185,272
Water	-	-	1,657,486	1,558,948	1,657,486	1,558,948
Sewer	-	-	1,775,224	1,884,234	1,775,224	1,884,234
Total program expenses	8,398,339	8,031,744	3,432,710	3,443,182	11,831,049	11,474,926
Excess before transfers	1,280,224	1,683,050	794,278	1,477,348	2,074,502	3,160,398
Transfers	61,595	61,595	(61,595)	(61,595)	-	-
<b>Change in Net Assets</b>	<b>\$ 1,341,819</b>	<b>\$ 1,744,645</b>	<b>\$ 732,683</b>	<b>\$ 1,415,753</b>	<b>\$ 2,074,502</b>	<b>\$ 3,160,398</b>

# City of Howell

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the City as a Whole (Continued)

The City's total net assets increased by 4.5 percent or \$2.07 million over the fiscal year. Both governmental activities and business-type activities contributed to the overall increase.

### Governmental Activities

Table 3 presents the cost of each of the City's four largest programs: public safety, public works, community and economic development, and recreation and culture. The table also presents each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3

	Total Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2004	Net Cost of Services 2003
Public safety	\$ 2,628,068	\$ 2,645,250	\$ 2,200,549	\$ 2,254,566
Public works	2,805,356	2,151,026	1,382,231	158,458
Community and economic development	388,261	93,122	315,128	(7,071)
Recreation and culture	1,147,987	1,131,035	627,532	613,673
All others	1,428,667	2,011,311	1,075,330	1,632,363
Total	<u>\$ 8,398,339</u>	<u>\$ 8,031,744</u>	<u>\$ 5,600,770</u>	<u>\$ 4,651,989</u>

- The cost of all governmental activities this year was \$8.4 million.
- The amount that City taxpayers paid for these activities through City taxes was only \$5.3 million.
- Some of the cost was paid by the beneficiaries of the program's activities (\$1.2 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.6 million).
- The City paid for the \$5.6 million "public benefit" portion with \$5.3 million in taxes and with other revenues.

# City of Howell

## Management's Discussion and Analysis (Continued)

### Business-Type Activities

Operating revenues of the City's business-type activities, water and sewer, stayed relatively stable (\$3.1 million for both 2004 and 2003) and operating expenses also remained relatively stable. The City experienced change in net assets of \$733 thousand in its water and sewer operations. Factors contributing to these results included:

- Capital contributions received due to the continued growth of the system without expending additional resources.

### The City's Funds

As the City completed the year, its governmental funds (see the balance sheet presented on pages 16 and 17) reported a combined fund balance of \$6.9 million, \$360 thousand above last year. Included in this year's total change in fund balance is an increase of \$597 thousand in the City's General Fund. The primary reasons for the general fund's surplus include the following:

- Increase in tax revenues due to continued growth in the City's taxable base without a rate increase.
- The Howell Area Fire Authority was able to secure a taxpayer approved dedicated millage to cover its expenses. The City was able to decrease its funding by \$200 thousand.

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. The first amendments were adopted in conjunction with the fiscal year 2003-2004 budget. These appropriations were to adjust the original budget when departments submitted estimated year-end figures that exceeded current budgeted amounts. The second amendments adopted allowed for appropriations to prevent budget overruns.

Even with these adjustments, actual expenditures were \$0.5 million below final budget amounts. The most significant positive variances (\$0.1 and \$0.1 million, respectively) resulted from lower than anticipated transfers to the recreational fund and lower than anticipated project costs for the new cemetery.

# City of Howell

## Management's Discussion and Analysis (Continued)

### Capital Asset and Debt Administration

At the end of the 2004 fiscal year, the City had invested approximately \$40 million in a broad range of capital assets, including police equipment, buildings and improvements, computer equipment and software, parks and recreational facilities, roads, and water and sewer lines. (See Table 4 below)

Table 4

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
	2004	2003	2004	2003	2004	2003
Land	\$ 1,035,214	\$ 1,035,214	\$ 430,064	\$ 430,064	\$ 1,465,278	\$ 1,465,278
Land improvements	1,498,695	1,377,682	-	-	1,498,695	1,377,682
Buildings and improvements	4,393,361	4,393,361	23,421,522	23,222,333	27,814,883	27,615,694
Furniture and equipment	3,709,038	3,567,224	1,125,780	1,076,950	4,834,818	4,644,174
Construction-in-progress	864,459	131,696	1,458,502	2,393,879	2,322,961	2,525,575
Infrastructure:						
Roads and sidewalks	13,170,127	12,776,280	-	-	13,170,127	12,776,280
Water systems	-	-	4,094,507	3,379,339	4,094,507	3,379,339
Sewer systems	-	-	4,623,812	4,274,103	4,623,812	4,274,103
Subtotal assets	24,670,894	23,281,457	35,154,187	34,776,668	59,825,081	58,058,125
Accumulated depreciation	10,792,951	9,666,049	8,852,778	8,053,458	19,645,729	17,719,507
Net capital assets	<u>\$ 13,877,943</u>	<u>\$ 13,615,408</u>	<u>\$ 26,301,409</u>	<u>\$ 26,723,210</u>	<u>\$ 40,179,352</u>	<u>\$ 40,338,618</u>

The year's major additions to capital assets included:

- Completion of the Roosevelt/North Road reconstruction projects - \$.3 million
- Construction-in-progress for the Michigan Ave Streetscape - \$0.3 million
- Improvements to the Lake Street Pump Station - \$22 thousand
- Continued progress on Well #8 development project - \$93 thousand
- Construction in progress for the new cemetery - \$.4 million
- Computer technology, including new financial reporting systems - \$40 thousand
- Construction of accessory building at the waste water plant - \$.19 million
- Equipment pool vehicles - \$0.23 million
- Preliminary reconstruction of the City Hall - \$54 thousand



# City of Howell

## Management's Discussion and Analysis (Continued)

### Debt

At year end the City had \$4.2 million in bonds and notes outstanding. This represents a \$.5 million decrease from the previous year. (See Table 5 below) No new obligations were incurred by the City during the 2004 fiscal year. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

Table 5

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total Primary Government	Total Primary Government
	2004	2003	2004	2003	2004	2003
General obligations and special assessments	\$ 2,505,000	\$ 2,840,000	\$ -	\$ -	\$ 2,505,000	\$ 2,840,000
Revenue bonds	-	-	1,671,117	1,873,419	1,671,117	1,873,419
Total	<u>\$ 2,505,000</u>	<u>\$ 2,840,000</u>	<u>\$ 1,671,117</u>	<u>\$ 1,873,419</u>	<u>\$ 4,176,117</u>	<u>\$ 4,713,419</u>

### Economic Factors and Next Year's Budget and Rates

The City's budget for the 2004 fiscal year is balanced with no property tax rate increase. Estimated property tax revenues are expected to increase by approximately \$142,000 from the prior year due mainly to added tax base from new development. During the 2004 fiscal year the City experienced reductions in state revenue sharing and interest earnings on investments. Given current economic conditions, the adopted budget forecasts slight reductions in both of these revenue sources for the 2005 fiscal year.

Total expenses in the general fund for the 2005 fiscal year are estimated to be \$8.3 million. Included in those costs are the general fund's contributions to support the streets program (\$720 thousand) and the rubbish and garbage collection program (\$397 thousand) and the recreation program (\$679 thousand).

Revenues in the water and sewer funds have been increased by a 2.0 percent COLA adjustment in accordance with the guidelines in the water and sewer ordinance.

### Contacting the City's Financial Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Finance Director's office at the City of Howell, 611 E. Grand River Avenue, Howell, Michigan, 48843.

## Statement of Net Assets June 30, 2004

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 6,943,181	\$ 1,579,168	\$ 8,522,349	\$ 551,373
Receivables - Net (Note 4):				
Taxes	24,842	-	24,842	-
Special assessments	580,195	-	580,195	-
Accounts	234,353	397,588	631,941	261
Mortgage notes	-	-	-	53,039
Inventories	-	125,501	125,501	-
Internal balances	(127,679)	127,679	-	-
Due from other governmental units	616,453	-	616,453	250
Prepaid costs and other assets	171,282	21,068	192,350	1,466
Land held for sale	306,497	-	306,497	-
Restricted assets (Notes 3 and 8):				
Customer deposits	-	6,393	6,393	-
Bond reserve	-	342,152	342,152	-
Replacement and improvement account	-	1,798,977	1,798,977	-
Total restricted assets	-	2,147,522	2,147,522	-
Investment in joint venture (Note 14)	407,118	-	407,118	-
Capital assets - Net (Note 5)	<u>13,877,943</u>	<u>26,301,409</u>	<u>40,179,352</u>	<u>151,652</u>
Total assets	23,034,185	30,699,935	53,734,120	758,041
<b>Liabilities</b>				
Accounts payable	169,863	79,949	249,812	6,067
Accrued and other liabilities	429,010	98,527	527,537	17,780
Due to other governmental units	118,447	-	118,447	342,234
Noncurrent liabilities (Note 7):				
Due within one year	355,000	212,302	567,302	130,767
Due in more than one year	<u>2,150,000</u>	<u>1,458,815</u>	<u>3,608,815</u>	<u>835,421</u>
Total liabilities	3,222,320	1,849,593	5,071,913	1,332,269
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	11,322,108	24,630,292	35,952,400	110,464
Restricted:				
Bond reserve	-	342,152	342,152	-
Replacement and improvement	-	1,798,977	1,798,977	-
Streets	695,190	-	695,190	-
Debt service	1,365,388	-	1,365,388	-
Law enforcement	4,303	-	4,303	-
Cemetery	462,962	-	462,962	-
Construction code activities	58,268	-	58,268	-
Other purposes	209,338	-	209,338	63,788
Unrestricted (deficit)	<u>5,694,308</u>	<u>2,078,921</u>	<u>7,773,229</u>	<u>(748,480)</u>
Total net assets (deficits)	<u>\$ 19,811,865</u>	<u>\$ 28,850,342</u>	<u>\$ 48,662,207</u>	<u>\$ (574,228)</u>

# City of Howell

Functions/Programs	Program Revenues		
	Charges for	Operating	Capital Grants
Expenses	Services	Grants and Contributions	and Contributions
Primary government:			
Governmental activities:			
General government	\$ 1,283,291	\$ 353,337	\$ -
Public safety	2,628,068	380,512	47,007
Public works	2,805,356	147,788	604,392
Community and economic development	388,261	350	-
Recreation and culture	1,147,987	290,946	229,509
Interest on long-term debt	145,376	-	-
Total governmental activities	8,398,339	1,172,933	880,908
Business-Type activities - Water and sewer			
Water Supply System	1,657,486	1,705,692	-
Sewage Disposal System	1,775,224	1,366,872	-
Total business-type activities	3,432,710	3,072,564	-
Total primary government	<u>\$ 11,831,049</u>	<u>\$ 4,245,497</u>	<u>\$ 880,908</u>
Component units:			
Downtown Development Authority	\$ 814,801	\$ 4,165	\$ 500
Tax Increment Financing Authority	201,363	-	-
Economic Development Corporation	-	-	-
Brownfield Redevelopment Authority	41,684	-	-
Total component units	<u>\$ 1,057,848</u>	<u>\$ 4,165</u>	<u>\$ 500</u>
General revenues:			
Property taxes			
State-shared revenues			
Unrestricted investment earnings			
Franchise fees			
Income from joint venture (Note 14)			
Miscellaneous			
Transfers			
Total general revenues, special items, and transfers			
<b>Change in Net Assets (Deficits)</b>			
<b>Net Assets (Deficits) - Beginning of year</b>			
<b>Net Assets (Deficits) - End of year</b>			

**Statement of Activities**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (929,954)	\$ -	\$ (929,954)	\$ -
(2,200,549)	-	(2,200,549)	-
(1,382,231)	-	(1,382,231)	-
(315,128)	-	(315,128)	-
(627,532)	-	(627,532)	-
(145,376)	-	(145,376)	-
(5,600,770)	-	(5,600,770)	-
-	319,471	319,471	-
-	424,086	424,086	-
-	743,557	743,557	-
(5,600,770)	743,557	(4,857,213)	-
-	-	-	(778,008)
-	-	-	(201,363)
-	-	-	-
-	-	-	(41,684)
-	-	-	(1,021,055)
5,275,208	-	5,275,208	610,425
892,382	-	892,382	-
89,134	40,109	129,243	3,016
94,129	-	94,129	-
407,118	-	407,118	-
123,023	10,612	133,635	16,044
61,595	(61,595)	-	-
6,942,589	(10,874)	6,931,715	629,485
1,341,819	732,683	2,074,502	(391,570)
18,470,046	28,117,659	46,587,705	(182,658)
<b>\$ 19,811,865</b>	<b>\$ 28,850,342</b>	<b>\$ 48,662,207</b>	<b>\$ (574,228)</b>

## Governmental Funds Balance Sheet June 30, 2004

	General	Reserves	Parks and Recreation	Cemetery Perpetual Care
<b>Assets</b>				
Cash and investments	\$ 1,938,641	\$ 915,007	\$ 44,247	\$ 975,624
Receivables (Note 4):				
Taxes	24,842	-	-	-
Special assessments	2,419	-	-	-
Accounts	202,583	-	2,650	-
Due from other funds (Note 6)	870,680	-	54,098	-
Due from other governmental units	445,745	-	-	-
Prepaid costs and other assets	147,094	-	9,660	-
Land held for sale	-	-	-	-
<b>Total assets</b>	<b>\$ 3,632,004</b>	<b>\$ 915,007</b>	<b>\$ 110,655</b>	<b>\$ 975,624</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 72,644	\$ -	\$ 36,241	\$ -
Accrued and other liabilities	115,117	-	25,361	-
Due to other funds	494,215	353,596	1,869	512,662
Due to other governmental units	118,447	-	-	-
Deferred revenue	76,536	-	-	-
<b>Total liabilities</b>	<b>876,959</b>	<b>353,596</b>	<b>63,471</b>	<b>512,662</b>
<b>Fund Balances</b>				
Reserved for:				
Debt service	-	-	-	-
Law enforcement	3,503	-	-	-
Prepaid expenses	147,094	-	-	-
Long-term advances	16,720	-	-	-
Land for sale	-	-	-	-
Construction code activities	58,268	-	-	-
Donations	1,263	-	-	-
Cemetery	-	-	-	462,962
Unreserved (major funds)	2,528,197	561,411	47,184	-
Unreserved (nonmajor funds):				
Special revenue	-	-	-	-
Capital projects	-	-	-	-
<b>Total fund balances</b>	<b>2,755,045</b>	<b>561,411</b>	<b>47,184</b>	<b>462,962</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,632,004</b>	<b>\$ 915,007</b>	<b>\$ 110,655</b>	<b>\$ 975,624</b>

## Governmental Funds Balance Sheet (Continued) June 30, 2004

	M-59 Utilities SAD Debt Retirement	1995 Special Assessment	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 149,245	\$ 561,831	\$ 1,670,465	\$ 6,255,060
Receivables (Note 4):				
Taxes	-	-	-	24,842
Special assessments	242,429	335,347	-	580,195
Accounts	-	-	20,514	225,747
Due from other funds (Note 6)	-	-	292,221	1,216,999
Due from other governmental units	-	-	168,826	614,571
Prepaid costs and other assets	-	-	8,971	165,725
Land held for sale	-	-	306,497	306,497
Total assets	<u>\$ 391,674</u>	<u>\$ 897,178</u>	<u>\$ 2,467,494</u>	<u>\$ 9,389,636</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 51,056	\$ 159,941
Accrued and other liabilities	-	-	12,057	152,535
Due to other funds	-	-	7,410	1,369,752
Due to other governmental units	-	-	-	118,447
Deferred revenue	242,428	335,347	-	654,311
Total liabilities	242,428	335,347	70,523	2,454,986
<b>Fund Balances</b>				
Reserved for:				
Debt service	149,246	561,831	-	711,077
Law enforcement	-	-	4,303	7,806
Prepaid expenses	-	-	-	147,094
Long-term advances	-	-	-	16,720
Land for sale	-	-	306,497	306,497
Construction code activities	-	-	-	58,268
Donations	-	-	-	1,263
Cemetery	-	-	-	462,962
Unreserved (major funds)	-	-	-	3,136,792
Unreserved (nonmajor funds):				
Special Revenue	-	-	1,499,674	1,499,674
Capital Projects	-	-	586,497	586,497
Total fund balances	149,246	561,831	2,396,971	6,934,650
Total liabilities and fund balances	<u>\$ 391,674</u>	<u>\$ 897,178</u>	<u>\$ 2,467,494</u>	<u>\$ 9,389,636</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	\$ 12,978,611
Investment in joint venture not reported in the funds	407,118
Special assessment and other receivables are expected to be collected over several years, and are not available to pay for current year expenditures	654,311
Accumulated employee paid-time off is recorded when earned in the statement of activities	(193,316)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,555,835)
Internal Service Funds are included as part of governmental activities	1,586,326

Net assets of governmental activities **\$ 19,811,865**

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General	Reserve	Parks and Recreation	Cemetery Perpetual Care
<b>Revenue</b>				
Property taxes	\$ 5,275,208	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Licenses and permits	267,170	-	-	-
Federal sources	31,841	-	-	-
State and local sources	898,027	-	-	-
Charges for services	150,730	-	466,421	-
Fines and forfeitures	85,265	-	-	-
Interest income	32,044	-	-	14,949
Investment and rental income	143,238	12,590	151	-
Other revenue	223,548	-	62,558	29,100
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	7,107,071	12,590	529,130	44,049
<b>Expenditures</b>				
Current:				
General government	2,133,910	-	-	-
Public safety	2,610,594	-	-	-
Public works	495,302	-	-	-
Recreation and culture	116,957	-	932,937	-
Other expense	-	1,200	-	-
Capital outlay	136,025	-	7,188	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	5,492,788	1,200	940,125	-
<b>Excess of Revenue Over (Under) Expenditures</b>	1,614,283	11,390	(410,995)	44,049
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	672,133	-	458,179	-
Transfers out (Note 6)	(1,689,009)	(159,471)	-	(512,662)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,016,876)	(159,471)	458,179	(512,662)
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	597,407	(148,081)	47,184	(468,613)
<b>Fund Balances - Beginning of year</b>	2,157,638	709,492	-	931,575
	<hr/>	<hr/>	<hr/>	<hr/>

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Continued) Year Ended June 30, 2004

	M-59 Utilities SAD Debt Retirement	1995 Special Assessment	Other Nonmajor Governmental	Total Governmental Funds
<b>Revenue</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 5,275,208
Special assessments	28,486	82,434	-	110,920
Licenses and permits	-	-	-	267,170
Federal sources	-	-	-	31,841
State and local sources	-	-	1,105,584	2,003,611
Charges for services	-	-	147,788	764,939
Fines and forfeitures	-	-	-	85,265
Interest income	16,973	26,600	4,376	94,942
Investment and rental income	1,251	6,815	12,800	176,845
Other revenue	-	-	28,847	344,053
Total revenue	46,710	115,849	1,299,395	9,154,794
<b>Expenditures</b>				
Current:				
General government	-	-	-	2,133,910
Public safety	-	-	5,540	2,616,134
Public works	-	-	1,246,409	1,741,711
Recreation and culture	-	-	-	1,049,894
Other expense	-	-	52,590	53,790
Capital outlay	-	-	603,893	747,106
Debt service:				
Principal retirement	30,000	140,000	165,000	335,000
Interest and fiscal charges	21,415	49,845	74,116	145,376
Total expenditures	51,415	189,845	2,147,548	8,822,921
<b>Excess of Revenue Over (Under) Expenditures</b>	(4,705)	(73,996)	(848,153)	331,873
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 6)	-	-	1,500,304	2,630,616
Transfers out (Note 6)	-	-	(238,759)	(2,599,901)
Total other financing sources (uses)	-	-	1,261,545	30,715
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(4,705)	(73,996)	413,392	362,588
<b>Fund Balances - Beginning of year</b>	153,951	635,827	1,983,579	6,572,062
<b>Fund Balances - End of year</b>	<u>\$ 149,246</u>	<u>\$ 561,831</u>	<u>\$ 2,396,971</u>	<u>\$ 6,934,650</u>



# City of Howell

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## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>362,588</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		230,640
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end		(122,190)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No.33)		74,117
Income from joint venture not reflected in funds		407,118
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		335,000
Change in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities		(14,405)
Internal Service Funds are also included as governmental activities		<u>68,951</u>

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>1,341,819</u></b>
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## Proprietary Funds Statement of Net Assets June 30, 2004

	Water Supply System	Sewage Disposal System	Total	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 1,156,411	\$ 422,757	\$ 1,579,168	\$ 688,121
Receivables - Net (Note 4)	215,474	182,114	397,588	8,606
Due from other funds (Note 6)	24,681	148,991	173,672	28,555
Due from other governmental units	-	-	-	1,882
Inventories	125,501	-	125,501	-
Prepaid costs and other assets	10,995	10,073	21,068	5,557
Total current assets	1,533,062	763,935	2,296,997	732,721
Noncurrent assets:				
Restricted assets:				
Customer deposits	6,393	-	6,393	-
Bond reserve	342,152	-	342,152	-
Replacement and improvement account	228,193	1,570,784	1,798,977	-
Net capital assets	9,279,788	17,021,621	26,301,409	899,332
Total noncurrent assets	9,856,526	18,592,405	28,448,931	899,332
Total assets	11,389,588	19,356,340	30,745,928	1,632,053
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	32,941	47,008	79,949	9,922
Accrued and other liabilities	49,318	49,209	98,527	32,324
Due to other funds	11,160	34,833	45,993	3,481
Current portion of long-term debt	212,302	-	212,302	-
Total current liabilities	305,721	131,050	436,771	45,727
Noncurrent liabilities:				
Long-term debt - Net of current portion	1,458,815	-	1,458,815	-
Total noncurrent liabilities	1,458,815	-	1,458,815	-
Total liabilities	1,764,536	131,050	1,895,586	45,727
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	7,608,671	17,021,621	24,630,292	899,332
Restricted:				
Bond reserve	342,152	-	342,152	-
Replacement and improvement	228,193	1,570,784	1,798,977	-
Unrestricted	1,446,036	632,885	2,078,921	686,994
Total net assets	<u>\$ 9,625,052</u>	<u>\$ 19,225,290</u>	<u>\$ 28,850,342</u>	<u>\$ 1,586,326</u>

## Proprietary Funds

### Statement of Revenue, Expenses, and Changes in Net Assets

### Year Ended June 30, 2004

	Water Supply System	Sewage Disposal System	Total	Internal Service Funds
<b>Operating Revenue</b>				
Charges for services	\$ 1,705,692	\$ 1,331,725	\$ 3,037,417	\$ 703,651
Miscellaneous	<u>10,612</u>	<u>35,147</u>	<u>45,759</u>	<u>24,150</u>
Total operating revenue	1,716,304	1,366,872	3,083,176	727,801
<b>Operating Expenses</b>				
Payroll	488,471	589,994	1,078,465	188,262
Fringe benefits	215,743	78,783	294,526	78,930
Operating supplies	171,381	140,222	311,603	103,035
Professional services	85,478	121,699	207,177	5,019
Communications	6,054	13,532	19,586	5,485
Insurance	27,128	28,801	55,929	59,708
Public utilities	146,374	111,701	258,075	11,810
Plant and equipment maintenance	66,677	34,950	101,627	40,186
Equipment rental	42,966	57,226	100,192	19,184
Depreciation	263,816	535,504	799,320	204,008
Miscellaneous	10,730	21,167	31,897	3,890
Overhead	41,645	41,645	83,290	31,378
Other expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,133</u>
Total operating expenses	<u>1,566,463</u>	<u>1,775,224</u>	<u>3,341,687</u>	<u>752,028</u>
<b>Operating Income (Loss)</b>	149,841	(408,352)	(258,511)	(24,227)
<b>Nonoperating Revenue (Expenses)</b>				
Interest income	20,427	19,682	40,109	4,158
Sale of vehicles and equipment	-	-	-	58,140
Interest and fiscal charges	<u>(91,023)</u>	<u>-</u>	<u>(91,023)</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>(70,596)</u>	<u>19,682</u>	<u>(50,914)</u>	<u>62,298</u>
<b>Income (Loss) - Before operating transfers</b>	79,245	(388,670)	(309,425)	38,071
<b>Other Financing Uses</b>				
Transfers (Note 6)	<u>(51,607)</u>	<u>(9,988)</u>	<u>(61,595)</u>	<u>30,880</u>
<b>Net Income (Loss) - Before capital contributions</b>	27,638	(398,658)	(371,020)	68,951
<b>Capital Contributions</b>	<u>271,265</u>	<u>832,438</u>	<u>1,103,703</u>	<u>-</u>
<b>Change in Net Assets</b>	298,903	433,780	732,683	68,951
<b>Net Assets - Beginning of year</b>	<u>9,326,149</u>	<u>18,791,510</u>	<u>28,117,659</u>	<u>1,517,375</u>
<b>Net Assets - End of year</b>	<u><u>\$ 9,625,052</u></u>	<u><u>\$ 19,225,290</u></u>	<u><u>\$ 28,850,342</u></u>	<u><u>\$ 1,586,326</u></u>

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Business-Type Activities			Governmental Activities
	Sewage Disposal System		Total	Internal Service Funds
	Water Supply System			
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 1,741,746	\$ 1,342,235	\$ 3,083,981	\$ -
Receipts from other funds	-	-	-	719,901
Payments to suppliers	(659,552)	(563,390)	(1,222,942)	(249,757)
Payments to employees	(704,214)	(668,777)	(1,372,991)	(267,192)
Internal activity - Payments (to) from other funds	(502,630)	(446,069)	(948,699)	75,950
Net cash provided by (used in) operating activities	(124,650)	(336,001)	(460,651)	278,902
<b>Cash Flows From Noncapital Financing Activities</b>				
Operating transfers to/from other funds	(51,607)	(9,988)	(61,595)	30,880
<b>Cash Flows From Capital and Related Financing Activities</b>				
Capital charges and connection fees	271,265	747,965	1,019,230	-
Purchase of capital assets	(131,623)	(174,773)	(306,396)	(240,155)
Disposal of capital assets	6,675	6,675	13,350	-
Proceeds from sale of capital assets	-	-	-	62,393
Principal and interest paid on capital debt	(293,325)	-	(293,325)	-
Net cash provided by (used in) capital and related financing activities	(147,008)	579,867	432,859	(177,762)
<b>Cash Flows From Investing Activities</b>				
Interest received on investments	20,427	19,682	40,109	4,158
Purchase of investment securities	(6,128)	(3,117)	(9,245)	(95,456)
Net cash provided by (used in) investing activities	14,299	16,565	30,864	(91,298)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(308,966)	250,443	(58,523)	40,722
<b>Cash and Cash Equivalents - Beginning of year</b>	1,699,963	1,306,470	3,006,433	-
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 1,390,997</u>	<u>\$ 1,556,913</u>	<u>\$ 2,947,910</u>	<u>\$ 40,722</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 1,156,411	\$ 422,757	\$ 1,579,168	\$ 688,121
Restricted cash and investments (Note 3)	576,738	1,570,784	2,147,522	-
Less amounts classified as investments (Note 3)	(342,152)	(436,628)	(778,780)	(688,121)
Total cash and cash equivalents	<u>\$ 1,390,997</u>	<u>\$ 1,556,913</u>	<u>\$ 2,947,910</u>	<u>\$ -</u>
<b>Reconciliation of Operating Income to Net Cash From Operating Activities</b>				
Operating income (loss)	\$ 149,841	\$ (408,352)	\$ (258,511)	\$ (24,227)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	263,816	535,504	799,320	204,008
Changes in assets and liabilities:				
Receivables	25,442	(58,302)	(32,860)	(8,606)
Other assets	(23,217)	(122,821)	(146,038)	99,699
Accounts payable	(93,568)	(19,244)	(112,812)	3,200
Accrued and other liabilities	(446,964)	(262,786)	(709,750)	4,828
Net cash provided by (used in) operating activities	<u>\$ (124,650)</u>	<u>\$ (336,001)</u>	<u>\$ (460,651)</u>	<u>\$ 278,902</u>

## Fiduciary Funds Statement of Net Assets June 30, 2004

	Pension and Other Employee Benefits - Employee Healthcare Fund	Agency Funds
<b>Assets</b>		
Cash and investments (Note 3)	\$ 149,679	\$ 44,242
Receivables - Accrued interest	<u>-</u>	<u>3,000</u>
Total assets	149,679	47,242
<b>Liabilities</b>		
Due to other governmental units	<u>-</u>	<u>47,242</u>
Total liabilities	<u>-</u>	<u><b>\$ 47,242</b></u>
<b>Net Assets</b> - Held in trust for retiree healthcare	<u><b>\$ 149,679</b></u>	

## **Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2004**

	Pension and Other Employee Benefits - Employee Healthcare Fund
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 1,060
<b>Net Increase</b>	1,060
<b>Net Assets Held in Trust for Retiree Healthcare</b>	
Beginning of year	148,619
End of year	<u>\$ 149,679</u>

# City of Howell

## Component Units Statement of Net Assets June 30, 2004

	Downtown Development Authority	Tax Increment Financing Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
<b>Assets</b>					
Cash and investments (Note 3)	\$ 358,713	\$ 192,660	\$ -	\$ -	\$ 551,373
Due from other governmental units	-	-	250	-	250
Mortgage notes receivable	53,039	-	-	-	53,039
Other receivables	261	-	-	-	261
Prepays	1,466	-	-	-	1,466
Net capital assets	151,652	-	-	-	151,652
Total assets	565,131	192,660	250	-	758,041
<b>Liabilities</b>					
Accounts payable	630	5,437	-	-	6,067
Due to other governmental units	32,794	108,490	-	200,950	342,234
Accrued and other liabilities	11,760	6,020	-	-	17,780
Noncurrent liabilities:					
Due within one year	80,767	50,000	-	-	130,767
Due in more than one year	580,421	255,000	-	-	835,421
Total liabilities	706,372	424,947	-	200,950	1,332,269
<b>Net Assets</b>					
Investment in capital assets -					
Net of related debt	110,464	-	-	-	110,464
Restricted	63,538	-	250	-	63,788
Unrestricted (deficit)	(315,243)	(232,287)	-	(200,950)	(748,480)
Total net assets	\$ (141,241)	\$ (232,287)	\$ 250	\$ (200,950)	\$ (574,228)

# City of Howell

		Program Revenues		
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
Downtown Development Authority	\$ 814,801	\$ 4,165	\$ 500	\$ 32,128
Tax Increment Financing Authority	201,363	-	-	-
Economic Development Corporation	-	-	-	-
Brownfield Redevelopment Authority	41,684	-	-	-
Total governmental activities	<u>\$ 1,057,848</u>	<u>\$ 4,165</u>	<u>\$ 500</u>	<u>\$ 32,128</u>

## General revenues:

Property taxes

Interest

Miscellaneous

Total general revenues

## Change in Net Assets (Deficit)

**Net Assets (Deficits) - Beginning of year**

**Net Assets (Deficits) - End of year**



**Component Units  
Statement of Activities  
Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets				
Downtown Development Authority	Tax Increment Financing Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Total
\$ (778,008)	\$ -	\$ -	\$ -	\$ (778,008)
-	(201,363)	-	-	(201,363)
-	-	-	-	-
-	-	-	(41,684)	(41,684)
(778,008)	(201,363)	-	(41,684)	(1,021,055)
360,425	250,000	-	-	610,425
2,037	979	-	-	3,016
16,044	-	-	-	16,044
378,506	250,979	-	-	629,485
(399,502)	49,616	-	(41,684)	(391,570)
258,261	(281,903)	250	(159,266)	(182,658)
<u>\$ (141,241)</u>	<u>\$ (232,287)</u>	<u>\$ 250</u>	<u>\$ (200,950)</u>	<u>\$ (574,228)</u>

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the City of Howell (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Howell:

#### **Reporting Entity**

The City of Howell is governed by an elected seven-member council. The accompanying financial statements present the City and its component units; entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

**Blended Component Units** - The Building Authority is governed by a Board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to acquire, finance, and construct the City's public buildings.

**Discretely Presented Component Units** - The following component units are reported within the component units column in the Statement of Net Assets. They are reported in a separate column to emphasize that they are legally separate from the City. Separate financial statements for the component units are not available.

The Downtown Development Authority (DDA), was established for the purpose of revitalizing the downtown business district. The Authority's governing body, which consists of nine individuals, is appointed by the City's Mayor, with the approval of City Council. In addition, the Authority's budget is subject to approval by the City Council. The DDA may issue debt payable solely from tax increment revenues. The full faith and credit of the City may be given for the debt of the DDA.

The Tax Increment Financing Authority (TIFA), was established for the purpose of funding the infrastructure of the City's industrial park as an incentive to bring manufacturers into the City. The Authority's governing body which consists of nine individuals, is appointed by the City's Mayor with the approval of City Council.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is appointed by the City's Mayor with the approval of City Council.

The Local Development Financing Authority was established pursuant to P.A. 281 of 1986 to prevent conditions of unemployment, promote economic growth, and authorize the acquisition and disposal of interests in real and personal property. The Authority's governing body, which consists of ten individuals, is appointed by the City Council. In addition, the Authority's annual budget is subject to review and approval by the City Council. There has been no activity for this Authority.

The Brownfield Redevelopment Authority was created to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas to promote revitalization within the Brownfield Redevelopment Zone. The Brownfield governing body, which consists of seven individuals, is selected by the City Council. In addition, their budgets are subject to approval by the City Council.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year-end. Interest income on special assessments receivable is not accrued until its due date. All other revenue items are considered to be available only when cash is received by the City.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Reserve Fund was created by the City to account for the internal restriction of cash to fund certain projects. Investment earnings and transfers to other funds are reflected in this fund.

The Parks and Recreation Fund was created to separately account for the parks and recreational activity that had previously been reflected in the general fund. Funding consists of fees charged to participants, general fund contributions, and grants and participation fees charged to surrounding townships based on their historical usage.

The Cemetery Perpetual Care Fund is used to account for the collection of perpetual care fees received upon the sale of cemetery plots. Investment interest and funding relating to the establishment of a new cemetery are reflected within this fund.

The M-59 Utilities SAD Retirement Fund is used to account for the annual payment of principal, interest, and expenses in connection with the M-59 district debt. In 2000, the City bonded for the payment of expenses related to the installation of water and sewer lines in the district, and the district specially assessed to fund the payments.

The 1995 Special Assessment Fund is used to account for the annual payment of principal, interest, and expenses in connection with the Thompson Lake District bond debt. In 1995, the City bonded for payment of expenses related to the installation of water and sewer lines in the district and the district is specially assessed to fund the payments.

The City reports the following major proprietary funds:

The Water Supply System Fund is used to account for the results of operations that provide water services, including water treatment and distribution, to residential, commercial, and industrial customers. The services of the water treatment plant are financed primarily by a user charge for the provision of those services. In addition to capturing the results of operations, the water fund also accounts for the annual payment of principal, interest, and expenses related to the 1998 Water Revenue and Revenue Refunding bonds issued to construct a new water plant. A water debt fee is charged to utility customers to fund the water bond payments.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The Sewage Disposal System Fund is used to account for the results of operations that provide sewer services, including wastewater collection and treatment, to residential, commercial, and industrial customers. As part of an agreement with Marion Township, contractual sewer services are provided to a portion of those township residents as well. The services of the wastewater treatment plant are financed primarily by a user charge for the provision of those services.

Additionally, the City reports the following fund types:

Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis.

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, and/or other funds. These include the Pension and Other Employee Benefits Fund and the agency funds. The Pension and Other Employee Benefits Fund is accounted for like a proprietary fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Public Employee Healthcare Fund is a pension and other employee benefits fund which accounts for the activities of providing healthcare benefit to retirees and employees of the City.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water Supply System Fund and the Sewage Disposal System Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1 of the following year, at which time penalties and interest are assessed.

The Howell's 2003 ad valorem tax is levied and collectible on July 1, 2003 and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of Howell totaled \$333.4 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which ad valorem taxes levied consisted of 16.0443 mills for operating purposes. This resulted in \$5.1 million for operating purposes. These amounts are recognized in the General Fund financial statements as tax revenue.

### Note I - Summary of Significant Accounting Policies (Continued)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve and replacement and improvement. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense capitalized as part of the cost of assets under construction.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	10 to 25 years
Land improvements	10 to 25 years
Water and sewer distribution systems	40 to 50 years
Buildings and building improvements	5 to 30 years
Vehicles	3 to 5 years
Office furnishings	5 to 7 years
Other tools and equipment	3 to 7 years



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused paid-time off benefits. All paid-time off pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is also reported in the appropriate governmental funds.

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and special revenue funds. All annual appropriations lapse at fiscal year end. Charter provisions require department head budget submissions by the second Monday in February, submission of the budget to Council by the second Monday in April, and adoption of the budget by the third Monday in May.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City did not have significant expenditure budget variances.

**Fund Deficits** - The City has accumulated fund and net asset deficits in the following fund:

<u>Fund</u>	<u>Deficit</u>
Brownfield Redevelopment Authority	\$ 200,950

The City will capture property taxes in the future to eliminate this deficit.

The Tax Increment Financing Authority has a net asset deficit of \$232,287; however, on the modified accrual basis of accounting, the fund balance is \$72,713 and no fund deficit exists.

The Downtown Development Authority has a net asset deficit of \$141,241; however, on the modified accrual basis of accounting, the fund balance is \$368,295 and no fund deficit exists.

### Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated six banks for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, commercial paper, mutual funds, investment pools, and obligations of the State of Michigan, but not the remainder of state statutory authority as listed above.

The City of Howell's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 5,055,522	\$ 1,448,672	\$ 44,242	\$ 6,548,436	\$ 262,575
Investments	1,887,659	130,496	149,679	2,167,834	288,798
Restricted assets:					
Cash and cash equivalents	-	1,499,238	-	1,499,238	-
Investments	-	648,284	-	648,284	-
Total restricted assets	-	2,147,522	-	2,147,522	-
Total	<u>\$ 6,943,181</u>	<u>\$ 3,726,690</u>	<u>\$ 193,921</u>	<u>\$ 10,863,792</u>	<u>\$ 551,373</u>

### Note 3 - Deposits and Investments (Continued)

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 8,045,757	\$ 262,575
Investments in securities, mutual funds, and similar vehicles	2,816,118	288,798
Petty cash or cash on hand	<u>1,917</u>	<u>-</u>
Total	<u>\$ 10,863,792</u>	<u>\$ 551,373</u>

The bank balance of the City's deposits is \$9,044,435, of which \$600,000 is covered by federal depository insurance and \$8,444,435 was uninsured and uncollateralized. The component units' deposits had a bank balance of \$262,575, of which \$100,000 was covered by federal depository insurance and \$162,575 was uninsured and uncollateralized.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the City of Howell or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

### Note 3 - Deposits and Investments (Continued)

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:	None	None	None	
Investments not subject to categorization:				
Bank investment pool funds				\$ 1,529,433
Interlocal agreement investment pool funds				<u>1,286,685</u>
Total primary government				<u>\$ 2,816,118</u>
Component units:				
Interlocal agreement investment pool funds				<u>\$ 288,798</u>

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools and interlocal agreement investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

### Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Parks and Recreation Fund	M-59 Utilities SAD Debt Retirement Fund	1995 Special Assessment Fund	Water Supply System	Sewage Disposal System	Nonmajor and Other Funds	Total
Receivables:								
Taxes	\$ 24,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,842
Special assessments	2,419	-	242,429	335,347	-	-	-	580,195
Accounts	202,583	2,650	-	-	215,474	182,114	29,120	631,941
Net receivables	<u>\$ 229,844</u>	<u>\$ 2,650</u>	<u>\$ 242,429</u>	<u>\$ 335,347</u>	<u>\$ 215,474</u>	<u>\$ 182,114</u>	<u>\$ 29,120</u>	<u>\$ 1,236,978</u>

### Note 5 - Capital Assets

Capital asset activity of the City's governmental, business-type, and component units was as follows:

	Balance July 1, 2003	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2004
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,035,214	\$ -	\$ -	\$ -	\$ 1,035,214
Construction-in-progress	131,696	-	739,000	6,237	864,459
Subtotal	1,166,910	-	739,000	6,237	1,899,673
Capital assets being depreciated:					
Land improvements	1,377,682	-	121,013	-	1,498,695
Roads and sidewalks	12,776,280	-	393,847	-	13,170,127
Buildings and improvements	4,393,361	-	-	-	4,393,361
Furniture and equipment	3,567,224	-	324,635	182,821	3,709,038
Subtotal	22,114,547	-	839,495	182,821	22,771,221
Accumulated depreciation:					
Land improvements	433,598	-	68,962	-	502,560
Roads and sidewalks	4,633,786	-	683,553	-	5,317,339
Buildings and improvements	1,978,895	-	198,564	-	2,177,459
Furniture and equipment	2,619,770	-	345,003	169,180	2,795,593
Subtotal	9,666,049	-	1,296,082	169,180	10,792,951
Net capital assets being depreciated	<u>12,448,498</u>	<u>-</u>	<u>(456,587)</u>	<u>13,641</u>	<u>11,978,270</u>
Net capital assets	<u>\$ 13,615,408</u>	<u>\$ -</u>	<u>\$ 282,413</u>	<u>\$ 19,878</u>	<u>\$ 13,877,943</u>

### Note 5 - Capital Assets (Continued)

Business-Type Activities	Balance July 1, 2003	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2004
Capital assets not being depreciated:					
Land	\$ 430,064	\$ -	\$ -	\$ -	\$ 430,064
Construction in progress	2,393,879	(958,299)	36,272	13,350	1,458,502
Subtotal	2,823,943	(958,299)	36,272	13,350	1,888,566
Capital assets being depreciated:					
Water and sewer distribution systems	7,653,442	940,182	124,695	-	8,718,319
Buildings and building improvements	23,222,333	12,420	186,769	-	23,421,522
Other tools and equipment	1,076,950	5,697	43,133	-	1,125,780
Subtotal	31,952,725	958,299	354,597	-	33,265,621
Accumulated depreciation:					
Water and sewer distribution systems	791,928	-	323,199	-	1,115,127
Buildings and building improvements	6,926,684	-	330,921	-	7,257,605
Other tools and equipment	334,846	-	145,200	-	480,046
Subtotal	8,053,458	-	799,320	-	8,852,778
Net capital assets being depreciated	23,899,267	958,299	(444,723)	-	24,412,843
Net capital assets	<u>\$ 26,723,210</u>	<u>\$ -</u>	<u>\$ (408,451)</u>	<u>\$ 13,350</u>	<u>\$ 26,301,409</u>
<b>Component Units</b>					
Net capital assets - Land	<u>\$ 151,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,652</u>

### Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 207,287
Public safety	78,939
Public works	703,553
Community and economic development	20,231
Recreation and culture	82,064

Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>204,008</u>
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Total governmental activities	<u>\$ 1,296,082</u>
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Business-type activities:

Water	\$ 263,816
Sewer	<u>535,504</u>

Total business-type activities	<u>\$ 799,320</u>
--------------------------------	-------------------

**Construction Commitments** - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Cemetery improvement	\$ 369,763	\$ 74,065
Streetscape	<u>156,447</u>	<u>61,162</u>
Total	<u>\$ 526,210</u>	<u>\$ 135,227</u>



### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due To/From Other Funds</b>		
General Fund	Reserve Fund	\$ 353,596
	Cemetery Perpetual Care Fund	512,662
	Water Supply Fund	1,513
	Internal Service Funds	2,353
	Other Governmental Funds	<u>556</u>
Total General Fund		870,680
Parks and Recreation Fund	General Fund	54,098
Other Nonmajor Governmental Funds	General Fund	281,945
	Water Supply Fund	5,974
	Sewage Disposal Fund	<u>4,302</u>
Total Other Nonmajor Governmental Funds		292,221
Water Supply Fund	Sewage Disposal Fund	24,681
Sewage Disposal Fund	General Fund	148,991
Internal Service Funds	General Fund	9,181
	Parks and Recreation Fund	1,869
	Water Supply Fund	3,673
	Sewage Disposal Fund	5,850
	Other Nonmajor Governmental Funds	6,854
	Other Internal Service Funds	<u>1,128</u>
Total Internal Service Funds		<u>28,555</u>
Total due to/from other funds		<u>\$ 1,419,226</u>

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

#### Interfund Transfers

	Transfers Out						Total
	General Fund	Reserve	Cemetery Perpetual Care	Water Supply System	Sewage Disposal System	Other Nonmajor Governmental Funds	
Transfers in:							
General Fund	\$ -	\$ 159,471	\$ 512,662	\$ -	\$ -	\$ -	\$ 672,133
Parks and Recreation Fund	458,179	-	-	-	-	-	458,179
Other nonmajor governmental funds	1,199,950	-	-	51,607	9,988	238,759	1,500,304
Internal service funds	30,880	-	-	-	-	-	30,880
Total	<u>\$ 1,689,009</u>	<u>\$ 159,471</u>	<u>\$ 512,662</u>	<u>\$ 51,607</u>	<u>\$ 9,988</u>	<u>\$ 238,759</u>	<u>\$ 2,661,496</u>

### Note 7 - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds:					
1995 General Obligation					
Limited Tax Bonds	\$ 1,000,000	\$ -	\$ 115,000	\$ 885,000	\$ 125,000
Special assessment bonds -					
1995 Special Assessment					
(General Obligation Limited Tax) Bonds	990,000	-	140,000	850,000	140,000
Special Assessment Bonds -					
Series 2000A	420,000	-	30,000	390,000	35,000
Building Authority Bonds - Series 1994	430,000	-	50,000	380,000	55,000
Total governmental activities	2,840,000	-	335,000	2,505,000	355,000
<b>Business-Type Activities</b>					
Revenue and Revenue Refunding					
Bonds - Series 1998	1,873,419	12,698	215,000	1,671,117	212,302
<b>Component Units</b>					
Capital Improvement Bond	-	500,000	-	500,000	40,000
1999 Development Bonds	355,000	-	50,000	305,000	50,000
Note payable	145,000	-	25,000	120,000	25,000
Land contract payable	56,161	-	14,973	41,188	15,767
Total component units activities	556,161	500,000	89,973	966,188	130,767
Total long-term debt obligations	\$ 5,269,580	\$ 512,698	\$ 639,973	\$ 5,142,305	\$ 698,069

### Note 7 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-Type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 355,000	\$ 126,134	\$ 481,134	\$ 212,302	\$ 69,394	\$ 281,696	\$ 130,767	\$ 40,379	\$ 171,146
2006	375,000	106,899	481,899	222,302	60,676	282,978	146,657	34,929	181,586
2007	375,000	86,865	461,865	227,302	51,511	278,813	143,764	28,652	172,416
2008	395,000	65,927	460,927	237,302	42,150	279,452	145,000	22,181	167,181
2009	415,000	43,666	458,666	247,302	32,400	279,702	120,000	15,918	135,918
2010-2014	<u>590,000</u>	<u>32,818</u>	<u>622,818</u>	<u>524,607</u>	<u>33,200</u>	<u>557,807</u>	<u>280,000</u>	<u>28,911</u>	<u>308,911</u>
Total	<u>\$ 2,505,000</u>	<u>\$ 462,309</u>	<u>\$ 2,967,309</u>	<u>\$ 1,671,117</u>	<u>\$ 289,331</u>	<u>\$ 1,960,448</u>	<u>\$ 966,188</u>	<u>\$ 170,970</u>	<u>\$ 1,137,158</u>

### Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-Type Activities
Customer deposits	\$ 6,393
Revenue bond restrictions:	
Bond reserve	342,152
Replacement and improvement account	<u>1,798,977</u>
Total restricted assets	<u>\$ 2,147,522</u>

**Customer Deposits** - Customer deposits represent amounts received from water customers residing in rental units.

**Bond Reserve** - The System is required to maintain an account to be used solely for the payment of principal and interest when there would otherwise be default.

**Replacement and Improvement** - These amounts are to be used solely for the purpose of making major repairs and replacements to the System.

Net assets of the enterprise funds have been restricted for the bond reserve and the replacement and improvement account. Since the customer deposits are recorded as a liability equal to the restricted assets, net assets have not been restricted for this amount.

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to general and auto liability, auto physical damage, and property loss claims and the Michigan Municipal League Workers' Compensation Fund for workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the Authority) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for claims relating to general and auto liability, auto physical damage, and property loss claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims - Beginning of year	\$ -	\$ -
Incurring claims (including claims incurred but not reported)	23,172	86,642
Claim payments	<u>(23,172)</u>	<u>(86,642)</u>
Unpaid claims - End of year	<u>\$ -</u>	<u>\$ -</u>

### **Note 10 - Defined Benefit Pension Plan and Postretirement Benefits**

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the System for these employees was established by council resolution and negotiation with the City's competitive bargaining units and requires a contribution from the employees of 2.00 percent up to 4.80 percent of wages.

**Annual Pension Costs** - For the year ended 2004, the City's annual pension cost of \$401,830 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include: (i) a 8.0 investment rate of return; (ii) projected salary increases of 4.5 percent per year; and (iii) additional projected salary increases ranging from zero to 4.16 percent per year, depending on age, attributable to seniority/merit. Both (i) and (ii) include an inflation component of 4.5 percent and are determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

### Note 10 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2002	2003	2004
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 333,541	\$ 351,538	\$ 401,830
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial Valuation as of December 31			
	2001	2002	2003
Actuarial value of assets	\$ 6,849,241	\$ 7,242,507	\$ 8,038,118
Actuarial accrued liability - Entry age	\$ 9,657,739	\$ 11,118,622	\$ 12,335,270
Unfunded AAL	\$ 2,808,498	\$ 3,876,115	\$ 4,297,152
Funded ratio	71%	65%	65%
Covered payroll	\$ 3,230,141	\$ 3,363,034	\$ 3,690,982
UAAL as a percentage of covered payroll	87%	115%	116%

### Defined Contribution Pension Plan

The Downtown Development Authority (DDA) provides pension benefits to its director and assistant director through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation, the DDA contributes 10 percent of the employees' gross earnings. In accordance with these requirements, the DDA contributed \$6,623 during the current year, and no contributions were made by the employees.

### Note 11 - Construction Code Fees

The city oversees building construction, in accordance with the State's construction code act, including inspections of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000, is as follows:

Cumulative surplus at June 30, 2003	\$	69,451
Current year building permit revenue		200,025
Related expenses:		
Direct costs	\$	188,579
Estimated indirect costs		<u>22,629</u>
Total construction code expenses		<u>211,208</u>
Cumulative surplus at June 30, 2004	\$	<u>58,268</u>

### Note 12 - Contingent Liabilities

The City has been served in civil and administrative actions brought against it seeking damages from matters within the geographical limits of and/or activities of the City of Howell, Michigan. In the opinion of the administration and its legal counsel, any potential settlement of these actions should have no material effect upon the financial position of the City.



### **Note 13 - Lucy Road Park**

During the 1960s, the City operated a public landfill off Lucy Road. In the early 1970s, the site was converted to a recreation park. In 1987 the Michigan Department of Natural Resources (MDNR) determined through well data reports that an environmental problem exists at the site. In response, the City hired an environmental law firm to negotiate with the MDNR to resolve the problem.

The City reached a final agreement with the Michigan Department of Environmental Quality (MDEQ) to repay \$187,500 incurred by the MDEQ and the State of Michigan for replacing the water supply previously used by area businesses and residents. The costs incurred by the MDEQ were \$625,000. Other responsible parties were also held liable and reimbursed the City for their portion of the costs.

In addition, potential future remediation costs may be incurred. There is also a 60/40 percent agreement with another responsible party related to the remediation with the City. Total costs of future remediation cannot yet be estimated, therefore no liability has been recorded.

### **Note 14 - Joint Venture**

The City is a member of the Howell Area Fire Authority, which was jointly incorporated by the City of Howell, Cohoctah Township, Marion Township, Oceola Township, and Howell Township (the Municipalities) for the purpose of providing fire protection and other emergency health and safety services to the Municipalities. The City appoints a member to the joint venture's governing board which then approves the annual budget. During the current year the funding for the Authority changed from contributions from the Municipalities to a dedicated taxpayer approved millage. The City's equity interest in the joint venture at June 30, 2004 is \$407,118, which is recorded within the governmental activities column in the statement of net assets. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 1211 W. Grand River, Howell, Michigan.

### **Note 15 - Other Post-Employment Benefits**

In addition to the pension benefits described in Note 10, the City provides post-employment health care benefits to all employees with 15 years of service. Currently 16 retirees are eligible. The City will pay the full amount of health care benefits for employees who have 20 or more years of service. The City will pay a percentage, varying from 75 to 95 percent, of health care benefits for employees with 15 to 19 years of service. The cost of retiree healthcare benefits is recognized when the premiums are paid. For the year ended June 30, 2004, those costs totaled \$90,412, net of employee reimbursement of \$4,339.

Upcoming reporting change - The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post-Employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2008.

## **Required Supplemental Information**

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# City of Howell

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 2,157,638	\$ 2,157,638	\$ 2,157,638	\$ -
<b>Resources (Inflows)</b>				
Property taxes:				
Current	5,083,840	5,093,840	5,153,617	59,777
Delinquent	2,000	2,000	(5,515)	(7,515)
Interest and penalties	17,000	17,000	17,636	636
Administration fees	105,000	105,000	109,470	4,470
Total property taxes	5,207,840	5,217,840	5,275,208	57,368
Federal sources:				
LAWNET	24,000	24,000	31,841	7,841
State and local sources:				
Sales tax	947,000	901,241	892,382	(8,859)
Other	5,900	5,900	5,645	(255)
Total state and local sources	952,900	907,141	898,027	(9,114)
Licences and permits:				
Business	87,100	87,100	94,279	7,179
Nonbusiness	187,342	187,342	172,891	(14,451)
Total licenses and permits	274,442	274,442	267,170	(7,272)
Fines and forfeitures:				
Traffic code fines	65,000	65,000	85,265	20,265
Charges for services :				
Building department	18,000	23,000	29,494	6,494
Cemetery	52,000	52,000	84,145	32,145
Parks and recreation	33,992	38,992	37,091	(1,901)
Total charges for services	103,992	113,992	150,730	36,738
Investment and rental income:				
Investment income	87,900	77,900	32,044	(45,856)
Rental income	142,611	142,611	143,238	627
Total investment and rental income	230,511	220,511	175,282	(45,229)

# City of Howell

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Resources (Inflows) (Continued)</b>				
Other revenue:				
Special assessments	\$ 8,000	\$ 8,000	\$ 14,705	\$ 6,705
Administrative overhead	50,000	50,000	50,000	-
Reimbursements	92,000	92,000	81,359	(10,641)
Refunds and rebates	17,500	17,500	32,557	15,057
Miscellaneous	<u>50,354</u>	<u>61,562</u>	<u>44,927</u>	<u>(16,635)</u>
Total other revenue	217,854	229,062	223,548	(5,514)
Other financing sources:				
Transfers from other funds	<u>482,976</u>	<u>730,638</u>	<u>672,133</u>	<u>(58,505)</u>
Amounts available for appropriation	7,559,515	7,782,626	7,779,204	(3,422)

# City of Howell

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Charges to Appropriations (Outflows)</b>				
General government:				
Mayor and council	\$ 45,499	\$ 45,499	\$ 44,729	\$ 770
Manager	163,908	223,348	209,281	14,067
Assistant manager/personnel and safety	15,300	15,300	12,431	2,869
Elections	23,950	23,950	11,558	12,392
Assessor	179,096	179,096	175,842	3,254
Attorney	98,350	98,350	87,938	10,412
Board of Review	3,585	3,585	3,282	303
Cable commission	1,475	1,475	153	1,322
Clerk/treasurer	533,965	540,565	530,769	9,796
City Hall	294,265	294,265	258,438	35,827
Parking lot maintenance	24,562	42,017	38,709	3,308
Cemetery	281,258	376,258	286,629	89,629
Cemetery - M59	251,910	404,572	398,500	6,072
Forestry/conservation	82,066	82,066	65,849	16,217
Information technology	147,223	147,223	142,163	5,060
Printing	21,277	-	-	-
Contingencies	10,000	-	-	-
Single business tax inventory reimbursement	6,809	6,809	6,809	-
Total general government	2,184,498	2,484,378	2,273,080	211,298
Public safety:				
Police	2,161,878	2,174,208	2,112,800	61,408
Fire	444,405	235,135	234,633	502
Building inspector	195,342	195,342	188,578	6,764
Zoning department	75,258	75,258	63,758	11,500
Planning commissioner	20,450	20,450	17,061	3,389
Total public safety	2,897,333	2,700,393	2,616,830	83,563
Public works:				
Sidewalk maintenance	147,982	122,982	117,319	5,663
Drain work	27,000	57,000	48,848	8,152
Engineering	150,309	183,309	147,213	36,096
Street lighting	229,500	224,500	198,342	26,158
Total public works	554,791	587,791	511,722	76,069

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Charges to Appropriations (Outflows) (Continued)</b>				
Recreation and cultural:				
Community promotion	\$ 104,212	\$ 114,347	\$ 94,252	\$ 20,095
Neighborhood parks	<u>35,585</u>	<u>35,585</u>	<u>27,784</u>	<u>7,801</u>
Total recreation and cultural	139,797	149,932	122,036	27,896
Other financing uses:				
Transfers to other funds	<u>1,714,632</u>	<u>1,725,414</u>	<u>1,658,129</u>	<u>67,285</u>
Total charges to appropriations	<u>7,491,051</u>	<u>7,647,908</u>	<u>7,181,797</u>	<u>466,111</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 2,226,102</u></b>	<b><u>\$ 2,292,356</u></b>	<b><u>\$ 2,755,045</u></b>	<b><u>\$ 462,689</u></b>

# City of Howell

## Required Supplemental Information Budgetary Comparison Schedule - Reserve Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ 709,494	\$ 709,494	\$ 709,492	\$ (2)
<b>Resources (Inflows)</b>				
Investment and rental income	15,000	15,000	12,590	(2,410)
<b>Charges to Appropriations (Outflows)</b>				
Other expenses	1,200	1,200	1,200	-
<b>Other Financing Uses</b>				
Transfer out to other funds	<u>159,471</u>	<u>159,471</u>	<u>159,471</u>	<u>-</u>
Total charges to appropriations	<u>160,671</u>	<u>160,671</u>	<u>160,671</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><b>\$ 563,823</b></u>	<u><b>\$ 563,823</b></u>	<u><b>\$ 561,411</b></u>	<u><b>\$ (2,412)</b></u>



# City of Howell

## Required Supplemental Information Budgetary Comparison Schedule - Parks and Recreation Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Charges for services	490,987	501,787	529,130	27,343
Transfers from other funds	<u>524,788</u>	<u>524,788</u>	<u>458,179</u>	<u>(66,609)</u>
Amounts available for appropriation	1,015,775	1,026,575	987,309	(39,266)
<b>Charges to Appropriations (Outflows)</b>				
Recreation and culture	<u>1,015,775</u>	<u>1,026,575</u>	<u>940,125</u>	<u>86,450</u>
Total charges to appropriations	<u>1,015,775</u>	<u>1,026,575</u>	<u>940,125</u>	<u>86,450</u>
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,184</u>	<u>\$ 47,184</u>

## **Other Supplemental Information**

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# City of Howell

## Other Supplemental Information Budgetary Comparison Schedule - Major Street Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 389,721	\$ 389,721	\$ 389,721	\$ -
<b>Resources (Inflows)</b>				
State sources	382,869	382,869	429,175	46,306
Investment and rental income	6,000	6,000	3,795	(2,205)
Other revenue	<u>2,000</u>	<u>2,000</u>	<u>1,629</u>	<u>(371)</u>
Amounts available for appropriation	390,869	390,869	434,599	43,730
<b>Charges to Appropriations</b>				
Public works	<u>413,648</u>	<u>423,648</u>	<u>355,200</u>	<u>68,448</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 366,942</b></u>	<u><b>\$ 356,942</b></u>	<u><b>\$ 469,120</b></u>	<u><b>\$ 112,178</b></u>

# City of Howell

## Other Supplemental Information Budgetary Comparison Schedule - Local Street Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 130,999	\$ 130,999	\$ 130,999	\$ -
<b>Resources (Inflows)</b>				
State sources	131,105	131,105	151,009	19,904
Investment and rental income	1,000	1,000	1,131	131
Other revenue	500	500	25,563	25,063
Transfers from other funds	<u>185,669</u>	<u>185,669</u>	<u>185,669</u>	<u>-</u>
Amounts available for appropriation	318,274	318,274	363,372	45,098
<b>Charges to Appropriations</b>				
Public works	<u>349,469</u>	<u>369,469</u>	<u>268,302</u>	<u>101,167</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 99,804</u></u>	<u><u>\$ 79,804</u></u>	<u><u>\$ 226,069</u></u>	<u><u>\$ 146,265</u></u>

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2004

	Special Revenue Funds							Debt Service Funds	
	Major Street	Local Street	Rubbish and Garbage	Lucy Road Park Recovery	Drug Law Enforcement	Police Training	Property	1995 General Obligation	Building Authority Bond
<b>Assets</b>									
Cash and investments	\$ 407,190	\$ 205,077	\$ 77,873	\$ 152,806	\$ 3,950	\$ 353	\$ 528,014	\$ -	\$ -
Receivables - Net	632	-	19,882	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	-	-	-	-	-
Prepaid costs and other assets	3,655	3,509	1,786	21	-	-	-	-	-
Due from other funds	-	-	948	56,887	-	-	1,658	-	-
Due from other governmental units	70,379	25,664	-	-	-	-	-	-	-
Land held for sale	-	-	-	-	-	-	306,497	-	-
Total assets	<u>\$ 481,856</u>	<u>\$ 234,250</u>	<u>\$ 100,489</u>	<u>\$ 209,714</u>	<u>\$ 3,950</u>	<u>\$ 353</u>	<u>\$ 836,169</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable	\$ 3,332	\$ 2,114	\$ 31,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	5,458	3,758	2,465	376	-	-	-	-	-
Due to other funds	3,946	2,309	1,155	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	12,736	8,181	35,014	376	-	-	-	-	-
<b>Fund Balances</b>									
Reserved:									
Law enforcement	-	-	-	-	3,950	353	-	-	-
Land for sale	-	-	-	-	-	-	306,497	-	-
Unreserved:									
Special revenue	469,120	226,069	65,475	209,338	-	-	529,672	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Total fund balances	<u>469,120</u>	<u>226,069</u>	<u>65,475</u>	<u>209,338</u>	<u>3,950</u>	<u>353</u>	<u>836,169</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 481,856</u>	<u>\$ 234,250</u>	<u>\$ 100,489</u>	<u>\$ 209,714</u>	<u>\$ 3,950</u>	<u>\$ 353</u>	<u>\$ 836,169</u>	<u>\$ -</u>	<u>\$ -</u>

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds June 30, 2004

	Capital Projects Funds								
	Dearborn - Marion Fund	1997 Construction Fund	South Michigan Avenue Fund	Riddle Street Construction Fund	Roosevelt - North Fund	2000 M-59 Utility Fund	Isbell Street Fund	2000 Madison - Roosevelt Fund	Total Nonmajor Governmental Funds
<b>Assets</b>									
Cash and investments	\$ -	\$ -	\$ 229,249	\$ -	\$ -	\$ 65,953	\$ -	\$ -	\$ 1,670,465
Receivables - Net	-	-	-	-	-	-	-	-	20,514
Special assessments receivable	-	-	-	-	-	-	-	-	-
Prepaid costs and other assets	-	-	-	-	-	-	-	-	8,971
Due from other funds	16,809	367	-	282	14,464	-	200,806	-	292,221
Due from other governmental units	-	-	72,783	-	-	-	-	-	168,826
Land held for sale	-	-	-	-	-	-	-	-	306,497
Total assets	<u>\$ 16,809</u>	<u>\$ 367</u>	<u>\$ 302,032</u>	<u>\$ 282</u>	<u>\$ 14,464</u>	<u>\$ 65,953</u>	<u>\$ 200,806</u>	<u>\$ -</u>	<u>\$ 2,467,494</u>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable	\$ -	\$ -	\$ 14,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,056
Accrued and other liabilities	-	-	-	-	-	-	-	-	12,057
Due to other funds	-	-	-	-	-	-	-	-	7,410
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	14,216	-	-	-	-	-	70,523
<b>Fund Balances</b>									
Reserved:									
Law enforcement	-	-	-	-	-	-	-	-	4,303
Land for sale	-	-	-	-	-	-	-	-	306,497
Unreserved:									
Special revenue	-	-	-	-	-	-	-	-	1,499,674
Capital projects	16,809	367	287,816	282	14,464	65,953	200,806	-	586,497
Total fund balances	16,809	367	287,816	282	14,464	65,953	200,806	-	2,396,971
Total liabilities and fund balances	<u>\$ 16,809</u>	<u>\$ 367</u>	<u>\$ 302,032</u>	<u>\$ 282</u>	<u>\$ 14,464</u>	<u>\$ 65,953</u>	<u>\$ 200,806</u>	<u>\$ -</u>	<u>\$ 2,467,494</u>

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2004

	Special Revenue Funds							Debt Service Funds	
	Major Street	Local Street	Rubbish and Garbage	Lucy Road Park Recovery	Drug Law Enforcement	Police Training	Property	1995 General Obligation	Building Authority Bond
Revenue									
State sources	\$ 429,175	\$ 151,009	\$ -	\$ -	\$ -	\$ 4,533	\$ -	\$ -	\$ -
Charges for services	-	-	147,788	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-
Investment income	3,795	1,131	365	1,486	1	-	5,684	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Other	1,629	25,563	657	-	226	-	-	-	-
Total revenue	434,599	177,703	148,810	1,486	227	4,533	5,684	-	-
Expenditures									
Current:									
Public safety	-	-	-	-	-	5,540	-	-	-
Public works	355,200	268,302	600,067	19,361	-	-	-	-	-
Other	-	-	-	-	-	-	3,342	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	115,000	50,000
Interest and fiscal charges	-	-	-	-	-	-	-	51,171	22,945
Total expenditures	355,200	268,302	600,067	19,361	-	5,540	3,342	166,171	72,945
Excess of Revenue Over (Under)									
Expenditures	79,399	(90,599)	(451,257)	(17,875)	227	(1,007)	2,342	(166,171)	(72,945)
Other Financing Sources (Uses)									
Transfers in	-	185,669	447,030	-	-	-	-	166,171	72,769
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	185,669	447,030	-	-	-	-	166,171	72,769
Excess of Revenue and Other Financing Sources Over (Under)									
Expenditures and Other Uses	79,399	95,070	(4,227)	(17,875)	227	(1,007)	2,342	-	(176)
Fund Balances - Beginning of year	389,721	130,999	69,702	227,213	3,723	1,360	833,827	-	176
Fund Balances - End of year	\$ 469,120	\$ 226,069	\$ 65,475	\$ 209,338	\$ 3,950	\$ 353	\$ 836,169	\$ -	\$ -

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2004

	Capital Projects Funds								Total Nonmajor
	Dearborn - Marion Fund	1997 Construction Fund	South Michigan Avenue	Riddle Street Construction Fund	Roosevelt - North Fund	2000 M-59 Utility Fund	Isbell Street Fund	2000 Madison - Roosevelt Fund	Governmental Funds
<b>Revenue</b>									
State sources	\$ -	\$ -	\$ 520,867	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,105,584
Charges for services	-	-	-	-	-	-	-	-	147,788
Interest income	-	-	4,376	-	-	-	-	-	4,376
Investment income	-	-	-	-	-	338	-	-	12,800
Special assessments	-	-	-	-	-	-	-	-	-
Other	-	-	772	-	-	-	-	-	28,847
Total revenue	-	-	526,015	-	-	338	-	-	1,299,395
<b>Expenditures</b>									
Current:									
Public safety	-	-	-	-	-	-	-	-	5,540
Public works	2,638	-	-	841	-	-	-	-	1,246,409
Other	-	-	11,241	-	54	-	37,953	-	52,590
Capital outlay	-	-	275,970	21,925	305,998	-	-	-	603,893
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	165,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	74,116
Total expenditures	2,638	-	287,211	22,766	306,052	-	37,953	-	2,147,548
<b>Excess of Revenue Over (Under)</b>									
Expenditures	(2,638)	-	238,804	(22,766)	(306,052)	338	(37,953)	-	(848,153)
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	-	-	-	379,124	-	238,759	10,782	1,500,304
Transfers out	-	-	-	(38,379)	(200,380)	-	-	-	(238,759)
Total other financing sources (uses)	-	-	-	(38,379)	178,744	-	238,759	10,782	1,261,545
<b>Excess of Revenue and Other Financing Sources Over (Under)</b>									
Expenditures and Other Uses	(2,638)	-	238,804	(61,145)	(127,308)	338	200,806	10,782	413,392
<b>Fund Balances - Beginning of year</b>	19,447	367	49,012	61,427	141,772	65,615	-	(10,782)	1,983,579
<b>Fund Balances - End of year</b>	<b>\$ 16,809</b>	<b>\$ 367</b>	<b>\$ 287,816</b>	<b>\$ 282</b>	<b>\$ 14,464</b>	<b>\$ 65,953</b>	<b>\$ 200,806</b>	<b>\$ -</b>	<b>\$ 2,396,971</b>



# City of Howell

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2004

	Department of Public Service	Equipment	Totals
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 275,413	\$ 412,708	\$ 688,121
Receivables - Net	8,606	-	8,606
Due from other funds	-	28,555	28,555
Due from other governmental units	-	1,882	1,882
Prepaid costs and other assets	3,216	2,341	5,557
Total current assets	287,235	445,486	732,721
Noncurrent assets - Net capital assets	187,443	711,889	899,332
Total assets	474,678	1,157,375	1,632,053
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,955	7,967	9,922
Accrued liabilities	28,284	4,040	32,324
Due to other funds	3,481	-	3,481
Total liabilities	33,720	12,007	45,727
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	187,443	711,889	899,332
Unrestricted	253,515	433,479	686,994
Total net assets	<u>\$ 440,958</u>	<u>\$ 1,145,368</u>	<u>\$ 1,586,326</u>

# City of Howell

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2004

	Department of Public Service	Equipment	Totals
<b>Operating Revenue</b>			
Charges for equipment use	\$ -	\$ 478,015	\$ 478,015
Charges for building use	225,636	-	225,636
Miscellaneous	16,869	7,281	24,150
	<u>242,505</u>	<u>485,296</u>	<u>727,801</u>
<b>Operating Expenses</b>			
Payroll	102,659	85,603	188,262
Fringe benefits	44,007	34,923	78,930
Operating supplies	20,924	82,111	103,035
Professional service	4,019	1,000	5,019
Communications	3,201	2,284	5,485
Insurance	7,079	52,629	59,708
Public utilities	9,089	2,721	11,810
Plant and equipment maintenance	14,091	26,095	40,186
Equipment rental	13,537	5,647	19,184
Depreciation	22,678	181,330	204,008
Miscellaneous	3,574	316	3,890
Overhead	10,000	21,378	31,378
Other expenses	1,107	26	1,133
	<u>255,965</u>	<u>496,063</u>	<u>752,028</u>
<b>Operating Loss</b>	(13,460)	(10,767)	(24,227)
<b>Nonoperating Income</b>			
Interest income	966	3,192	4,158
Sale of vehicles and equipment	-	58,140	58,140
	<u>966</u>	<u>61,332</u>	<u>62,298</u>
<b>Transfers From Other Funds</b>	30,880	-	30,880
<b>Net Income</b>	18,386	50,565	68,951
<b>Net Assets - Beginning of year</b>	<u>422,572</u>	<u>1,094,803</u>	<u>1,517,375</u>
<b>Net Assets - End of year</b>	<u><u>\$ 440,958</u></u>	<u><u>\$ 1,145,368</u></u>	<u><u>\$ 1,586,326</u></u>

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2004

	Department of		
	Public Service	Equipment	Totals
<b>Cash Flows From Operating Activities</b>			
Receipts from other funds	\$ 235,404	\$ 484,497	\$ 719,901
Payments to suppliers	(82,225)	(167,532)	(249,757)
Payments to employees	(146,666)	(120,526)	(267,192)
Payments (to) from other funds	<u>119,568</u>	<u>(43,618)</u>	<u>75,950</u>
Net cash provided by operating activities	126,081	152,821	278,902
<b>Cash Flows From Noncapital Financing Activities</b>			
Operating transfers from other funds	30,880	-	30,880
<b>Cash Flows From Capital Activities</b>			
Purchases of capital assets	(11,983)	(228,172)	(240,155)
Proceeds from sale of capital assets	<u>-</u>	<u>62,393</u>	<u>62,393</u>
Net cash used in capital activities	(11,983)	(165,779)	(177,762)
<b>Cash Flows From Investing Activities</b>			
Interest received on investments	966	3,192	4,158
Proceeds/(purchases) of investment securities	<u>(142,351)</u>	<u>46,895</u>	<u>(95,456)</u>
Net cash provided by (used in) investing activities	<u>(141,385)</u>	<u>50,087</u>	<u>(91,298)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	3,593	37,129	40,722
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><u>\$ 3,593</u></u>	<u><u>\$ 37,129</u></u>	<u><u>\$ 40,722</u></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 275,413	\$ 412,708	\$ 688,121
Restricted investments	-	-	-
Less amounts classified as investments	<u>(275,413)</u>	<u>(412,708)</u>	<u>(688,121)</u>
Total cash and cash equivalents	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Reconciliation of Operating Loss to Net Cash From Operating Activities</b>			
Operating loss	\$ (13,460)	\$ (10,767)	\$ (24,227)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	22,678	181,330	204,008
Change in assets and liabilities:			
Accounts receivable	(8,606)	-	(8,606)
Due from other funds	126,087	(22,240)	103,847
Due from component units	-	-	-
Due from other governmental units	1,505	(799)	706
Prepaid costs and other assets	(2,513)	(2,341)	(4,854)
Accounts payable	(3,681)	6,881	3,200
Due to other funds	3,481	-	3,481
Accrued liabilities	<u>590</u>	<u>757</u>	<u>1,347</u>
Net cash provided by operating activities	<u><u>\$ 126,081</u></u>	<u><u>\$ 152,821</u></u>	<u><u>\$ 278,902</u></u>

# City of Howell

## Other Supplemental Information Combining Statement of Agency Funds Fiduciary Funds June 30, 2004

	Agency Funds		
		Livingston County Hazardous Materials	
	Current Tax	Response Team	Totals
<b>Assets</b>			
Cash and investments	\$ 3,357	\$ 40,885	\$ 44,242
Receivables	-	3,000	3,000
Total assets	<u>\$ 3,357</u>	<u>\$ 43,885</u>	<u>\$ 47,242</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Due to other governmental units	\$ 3,357	\$ 43,885	\$ 47,242
Total liabilities	3,357	43,885	47,242
<b>Net Assets</b>	-	-	-
Total liabilities and net assets	<u>\$ 3,357</u>	<u>\$ 43,885</u>	<u>\$ 47,242</u>